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UNCLAS OTTAWA 001865

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SUBJECT: A/S WAYNE'S MEETING WITH FAHIM MOUDAD, DEPUTY  
GOVERNOR, BANQUE DU LIBAN

11. (SBU) Summary: During a bilateral meeting held June 25 on the margins of the International Arab Banking Summit in Montreal, A/S Anthony Wayne and Fahim Moudad, Deputy Governor of the Banque du Liban, discussed the fight against terrorist financing; cooperation on Iraq; and the Lebanese economy and implementation of Paris II. End summary.

Cooperation on Combating Terrorist Financing, Tracking Iraqi Assets Will Continue  
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12. (SBU) A/S Wayne thanked Moudad for his strong support in the fight against terrorist financing and for Lebanon's solid cooperation in freezing Iraqi Assets. Moudad responded that "we do our duty," adding that it (participation in the international effort) is important to Lebanon's financial system. He was extremely receptive to the possibility of assisting the forensic accountants sent by the Iraqi Central Bank, saying the new Governor "can ask for anything" and Lebanon will respond.

New Anti-money Laundering Law has Passed  
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13. (SBU) Asked the status of Lebanon's anti-money laundering law, Moudad said it has been passed and is working well. He explained that the independent Special Investigation Commission provided for in the law has been very effective, and he confirmed that banks are reporting suspicious transactions to the SIC. Asked if the USG could provide any assistance, he reiterated that systems to prevent money-laundering and terrorist financing are functioning well.

14. (SBU) Asked his views on the economic situation, Moudad said stability is important to investors and to banks. The Central Bank is working to keep confidence in the financial system, and he expects to meet requirements of Basel II within 2-3 years. He confirmed that Paris II implementation is off to a good start, and that the drop in interest rates from 14%-8%, reflects market confidence. The GOL needs to keep the budget deficit under control and to focus on privatization and securitization. (He did not go into detail on privatization plans.)

15. (U) A/S Wayne cleared this cable.

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